

# State of California

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## **Legislative Change No.**

**01-07**

Bill Number: AB 1116

Author: AR & T Committee

Chapter Number: 01-191

Laws Affecting Franchise Tax Board: Section 18665, Section 19043, Section 19403.5 of the Revenue and Taxation Code

Date Filed with the Secretary of the State: August 12, 2001

**SUBJECT:** Deficiency Definition/Eliminate Zero NPA For Credit Carryovers/Changes In Withholding Formula/Define When Formulas Are To Be Changed

**Assembly Bill 1116 (Assembly Revenue and Taxation Committee), as enacted on August 12, 2001, made the following changes to California law:**

Section 18665 of the Revenue and Taxation Code was amended:

This act provides that, unless otherwise specifically provided, a law effecting a change in income tax withholding will apply to income tax withholding beginning in January of the later of:

- \* the calendar year the provision is operative, or
- \* the calendar year following the year the provision was chaptered. Consequently, a law effecting a change in income tax withholding will not apply to withholding in the year such provision is chaptered, unless otherwise specifically provided.

For example, a reduction in tax rates that is chaptered in 2001 and operative for 2002 would result in an adjustment of the withholding tables as of January 1, 2002.

Section 19043 of the Revenue and Taxation Code was amended:

This act would delete "credit carryover" from the meaning of "deficiency."

Section 19043.5 is added to the Revenue and Taxation Code:

This act creates a new notice and process for adjustment of income tax items that are eligible to be carried forward to future taxable years.

This act allows the Franchise Tax Board (FTB) to issue a notice of proposed adjusted carryover amount that would afford taxpayers the right to dispute the proposed carryover adjustment in the same manner as a notice of proposed assessment.

Bureau Director

Brian Putler

Date

September 4, 2001

This act allows the taxpayer to choose either to:

- \* Protest the notice of proposed carryover adjustment and appeal to the Board of Equalization (BOE). The taxpayer and FTB are bound by BOE's decision.

Treat the notice of proposed adjustment as an information notice, wait until the carryover adjustment has a tax effect in a future taxable year, and protest and appeal the proposed assessment based on the proposed carryover adjustment.

This act is effective and operative January 1, 2002.

This act will not require any reports by the department to the Legislature.